International Journal in Management and Social Science
Volume 08 Issue 09, September 2020 ISSN: 2321-1784 Impact Factor: 6.319
Journal Homepage: http://ijmr.net.in, Email: irjmss@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal

ENFORCE 'MAKE IN INDIA' DURING COVID19

Mr.Mervin Felix Caleb, Assistant Professor,

Department of Management Studies, AFMI

MIT College of Engineering, Mysore, Karnataka

Email : felixedits82@gmail.com

Abstract : "Come make in India. Sell anywhere but Make in India" is the motto of MAKE IN INDIA campaign. This scheme was successful in some ways, but remained unsuccessful not in all counts. Nonetheless, presently, global pharmaceutical companies are focusing on India for the production of vaccination, which seems to be the prime opportunity for the comeback of Make In India scheme for the benefit of both the global and domestic producers.

This paper analyses, the degree of imperativeness for Make In India to be popularized with Global attention turning towards India, as an Investment Destination.

Keywords : Make In India, Investment Destination, Global Attention, COVID

Introduction :

Source : https://en.wikipedia.org/wiki/Make_in_India

India is the largest economy and second largest highly populated country in the world. India is highly effected by unemployment, illiteracy and poverty. In order to solve all these problems people in India need more employment opportunities coupled with other facilities like education, skill set etc. Make in India is an initiative launched by Prime Minister Narendra Modi. "Come make in India. Sell anywhere but Make in India" is the motto of this campaign. The main aim of this campaign is to increase investment and product manufacturing in India by both national and international companies. This campaign attracts foreign investors to invest in India and manufacturing goods in India, this encourages domestic as well as multinational companies to produce goods in India. This will lead to employment of million in the country and it will also attract many foreign companies to set up their business in India.

The symbol of make in India is lion with many wheels, which is inspired from national emblem of India, indicating courage strength, wisdom and tenacity. Due to lack of resources and policies, many businessmen and entrepreneurs leave India or invest in foreign countries, causing poorer economy. Make in India campaign with various resources would attract many people from across the globe to invest in the country and establish their business in India. Make in India campaign was launched by government of India under Prime Minister Narendar Modi's leadership on 25th Sept' 2014 in Delhi. Leading entrepreneurs and CEOs of numerous companies from across the world attended the event. After the launch many investment commitments and inquiries emerged. The campaign has identified 25 sectors, where development is needed and with the development of these sectors would lead to rapid economic growth. The sector include – Automobile, Aviation, biotechnology, chemicals, Construction, defense, electrical machinery, food processing, IT & BPO, Media and entertainment, leather, mining, railways, hospitality, textiles and garments, tourism, automobile components, renewable energy, roads and highways etc. [1]]

"Make in India" was launched in September 2014. On his website (pmindia.gov.in), the prime minister explains that "since years policy-makers have been debating how to give an impetus to manufacturing in India and make India a Global Manufacturing Hub. But it is Narendra Modi, who within a matter of months, launched the 'Make in India' campaign to facilitate investment, foster innovation, enhance skill development, protect intellectual property & build best in class manufacturing infrastructure."

Manufacturing is important because it is the only way through which low-income nations can transition to middle and then high-income ones. There is no other pathway that we know of for rural and agrarian economies to become developed nations except first through light manufacturing (garments mainly), then more complex assembly before moving to high technology. It is a fact that India does a bit of all of the above, but as the prime minister's note indicates, the most important element is manufacturing[2]

The initiative is built on four pillars which are as follows:

1. **New Processes:** The government is introducing several reforms to create possibilities for getting Foreign Direct Investment (FDI) and foster business partnerships. Some initiatives have already been undertaken to alleviate the business environment from outdated policies and regulations. This reform is also aligned with parameters of World Bank's 'Ease of Doing Business' index to improve India's ranking on it.
2. **New Infrastructure:** Infrastructure is integral to the growth of any industry. The government intends to develop industrial corridors and build smart cities with state-of-the-art technology and high-speed communication. Innovation and research activities are supported by a fast-paced registration system and improved infrastructure for Intellectual Property Rights (IPR) registrations. Along with the development of infrastructure, the training for the skilled workforce for the sectors is also being addressed.
3. **New Sectors:** 'Make in India' has identified 25 sectors to promote with the detailed information being shared through an interactive web-portal.1 The Government has allowed 100% FDI in Railway2and removed restrictions in Construction.3 It has also recently increased the cap of FDI to 100% in Defense and Pharmaceutical.4
4. **New Mindset:** Government in India has always been seen as a regulator and not a facilitator. This initiative intends to change this by bringing a paradigm shift in the way Government interacts with various industries. It will focus on acting as a partner in the economic development of the country alongside the corporate sector.[3]

OBJECTIVE OF MAKE IN INDIA

The manufacturing sector contributes 15% to GDP, Make in India would grow this to 25%, attract much of foreign direct investment. The objective of Make in India is to make India a manufacturing hub for all the major sectors and to make India a leading manufacturer among various fields among different countries. Many companies from all over the world are being invited to make investment and set up manufacturing units in the country and to provide employment opportunities to skilled and talented people in the country. Thus, providing more employment thereby increasing purchasing power among public. This would also lead to healthy relationships with other countries. Also to decrease imports and increase exports, enhance research and development. The world is ready to embrace this vision and already on the path of becoming reality.

ADVANTAGES AND DISADVANTAGES OF MAKE IN INDIA

India has many skilled and educated labor and mostly unemployed due to lack of opportunities in various platforms. This initiative would bring up lot of employment opportunities. Make In India focuses on creating number of job opportunities, and skill enhancement, providing a good status for the youth of the country. The young generation has lot of skills and new ideas and but due to lack of proper channel they are not willing to stay in the country, Make in India initiative would encourage them to put their skills here and take the industrial sector to a new dimensions. It would create a demand for skilled crowd in specific sectors such as automobile, chemicals, IT, Pharmaceuticals, electrical, construction, textiles, media and entertainment, tourism, hospitality etc. More employment opportunities would increase the standards of living of public. Make in India would bring up best infrastructure in the country, by developing rural areas which would lead to development of country.

The most negative impact of Make in India would be on agriculture sector, the more the industrial sectors are given preference, the more agriculture sectors would be neglected. The more industries are being set up there is a danger to depletion of natural resources as the industries may take up the lands and other for establishment of manufacturing units and pollution levels may increase, small entrepreneurs may have a threat to their business. The training for labor may be a huge cost as manufacturing sectors demand highly skilled labor.[4]

In 2014, the share of manufacturing in India's Gross Domestic Product was 15%. Last year, it fell to 14%. 'Make in India" has failed and it has been over five years since it was put into place. To give a comparison of where India stands and what the failure means, let's have a look at some other nations. China, which we like comparing ourselves to, has an economy more than 5 times the size of India's. Manufacturing's share of GDP is at 29% (double that of India's) and has remained there in the period of 2014-2020.

Vietnam is 16% and has gone up from 13% when we launched Make in India. Sri Lanka is at 16%. Thailand (27%), Indonesia (19%), Phillippines (19%), Malaysia (21%), Singapore (20%). In Europe, Germany is at 20%, which is not surprising because it has one of the world's biggest automobile industries. This is the second stage of industrial development, after garments.

In the same period as Make in India, Bangladesh's share of manufacturing has risen from 16% to 18%. Bangladesh's overall GDP is growing at 8% per year, much faster than India. And the surprising thing is that in this period, Bangladesh's garments exports have gone to US$ 38 billion. India has fallen from $18 billion to $16 billion. Garments are important because large numbers of semi-skilled workers are employed and especially women. In the around 5,000 garments manufacturing units in Bangladesh, 85% of the employees are women. Even Vietnam exports more garments in dollar terms than India, which has long had a lead in this industry but has given it up in recent years.

The prime minister says the goal is to make India a $5 trillion economy. That is in itself not really a goal. India's GDP will eventually reach that figure sooner or later. The question to be asked is how soon can it get there and what can the government do to quicken the pace? Those are the only important and relevant points. Here it is unclear what the answer is.[5]

The 'Make in India' idea is not new. Factory production has a long history in the country. This initiative, however, set an ambitious goal of making India a global manufacturing hub. To achieve this goal, targets were identified and policies outlined. The three major objectives were: (a) to increase the manufacturing sector's growth rate to 12-14% per annum in order to increase the sector's share in the economy; (b) to create 100 million additional manufacturing jobs in the economy by 2022; and (c) to ensure that the manufacturing sector's contribution to GDP is increased to 25% by 2022 (revised to 2025) from the current 16%. The policy approach was to create a conducive environment for investments, develop modern and efficient infrastructure, and open up new sectors for foreign capital.

The last five years witnessed slow growth of investment in the economy. This is more so when we consider capital investments in the manufacturing sector. Gross fixed capital formation of the private sector, a measure of aggregate investment, declined to 28.6% of GDP in 2017-18 from 31.3% in 2013-14 (Economic Survey 2018-19). Interestingly, though the public sector's share remained more or less the same during this period, the private sector's share declined from 24.2% to 21.5%. Part of this problem can be attributed to the decline in the savings rate in the economy. Household savings have declined, while the private corporate sector's savings have increased. Thus we find a scenario where the private sector's savings have increased, but investments have decreased, despite policy measures to provide a good investment climate.

With regard to output growth, we find that the monthly index of industrial production pertaining to manufacturing has registered double-digit growth rates only on two occasions during the period April 2012 to November 2019. In fact, data show that for a majority of the months, it was 3% or below and even negative for some months. Needless to say, negative growth implies contraction of the sector. Thus, we are clearly waiting for growth to arrive.

Regarding employment growth, we have witnessed questions being raised over the government's delay in releasing data as well as its attempts to revise existing data collection mechanisms. The crux of the debate has been that employment, especially industrial employment, has not grown to keep pace with the rate of new entries into the labour market.

Policy casualness

Accusing the previous governments of policy paralysis, the NDA government announced a slew of policies with catchy slogans. This has resulted in an era of never-ending scheme announcements. 'Make in India' is a good example of a continuous stream of 'scheme' announcements. The announcements had two major lacunae. First, the bulk of these schemes relied too much on foreign capital for investments and global markets for produce. This created an inbuilt uncertainty, as domestic production had to be planned according to the demand and supply conditions elsewhere. Second, policymakers neglected the third deficit in the economy, which is implementation. While economists worry mostly about budget and fiscal deficit, policy implementers need to take into account the implications of implementation deficit in their decisions. The result of such a policy oversight is evident in the large number of stalled projects in India. The spate of policy announcements without having the preparedness to implement them is 'policy casualness'. 'Make in India' has been plagued by a large number of under-prepared initiatives.

The question that begs an answer is, why did 'Make in India' fail? There are three reasons. First, it set out too ambitious growth rates for the manufacturing sector to achieve. An annual growth rate of 12-14% is well beyond the capacity of the industrial sector. Historically India has not achieved it and to expect to build capabilities for such a quantum jump is perhaps an enormous overestimation of the implementation capacity of the government. Second, the initiative brought in too many sectors into its fold. This led to a loss of policy focus. Further, it was seen as a policy devoid of any understanding of the comparative advantages of the domestic economy. Third, given the uncertainties of the global economy and ever-rising trade protectionism, the initiative was spectacularly ill-timed.

'Make in India' is a policy initiative with inbuilt inconsistencies. The bundle of contradictions unfold when we examine the incongruity of 'swadeshi' products being made with foreign capital. This has led to a scenario where there is a quantum jump in the 'ease of doing business' ranking, but investments are still to arrive. The economy needs much more than policy window dressing for increasing manufacturing activity. The government must realise that industrialisation cannot be kick-started by a series of bills in Parliament and hosting investors' meets.[6]

Since the launch of Make in India in September 2014, FDI inflows of USD 77 billion including a equity inflows of USD 56 billion has been received for the period October 2014 to March 2016. This represents about a 44% increase in FDI Equity inflows over the same corresponding period.

'Zero defect zero effect' is a key phrase which has come to be associated with the Make in India campaign. In the words of Prime Minister Narendra Modi, "Let's think about making our product which has 'zero defect'… and 'zero effect' so that the manufacturing does not have an adverse effect on our environment".[5] Thus, sustainable development in the country is being made possible by imposing high-quality manufacturing standards while minimising environmental and ecological impact.

Within the short span of time, there are many instances of the initiative's success. In December 2015, Micromax announced that it would put up three new manufacturing units in Rajasthan, Telangana and Andhra Pradesh. Japan announced it would set up a USD 12 billion fund for Make in India-related projects, called the "Japan-India Make-in-India Special Finance Facility" after the Japanese Prime Minister Shinzo Abe's visit to the country. Huawei opened a new Research and Development (R&D) campus in Bengaluru and is in the process of setting up a telecom hardware manufacturing plant in Chennai. France-based LH Aviation signed a Memorandum of Understanding (MoU) with OIS Advanced Technologies to set up a manufacturing facility in India for producing drones. Foxconn announced it would invest USD 5 billion over five years for R&D and creating a hi-tech semiconductor manufacturing facility in Maharashtra. Samsung said it would manufacture the Samsung Z1 in its plant in Noida while General Motors declared that it would invest USD 1 billion to begin producing automobiles in the capital state.And this is only the tip of the iceberg as there are many more proposals in the pipeline.

"Come make in India. Sell anywhere, [but] make in India." Prime Minister Narendra Modi said while introducing his vision to the public. And it seems that the world is more than ready to embrace this vision, which is already set on a path to become a reality.[7]

Covid-19 effect: Time for Made-in-India tag to go global

China and its handling of the virus has impacted the economics of globalisation, fuelled anger in world capitals, and flamed anti-Chinese campaigns. Dependent on made-in-China goods and raw materials, nations the world over are today rethinking trade ties with the country. India not only cancelled orders for 'faulty' rapid test kits, it revised FDI policy to curb 'opportunistic takeovers or acquisitions' of Indian companies, aimed at China. Not surprising, given how Indian brands like Paytm, Ola, BigBasket, Byju's and others heavily rely on billions of dollars from Chinese venture capitalists.

"Post-Covid, countries are looking towards India for processed food, marine produce, meat, fruits and vegetables, tea, rice and other cereals as they are apprehensive to import edible products from China. An amendment in the Essential Commodities Act will not only enable better price realisation for farmers in respect of edible oils, oilseeds, pulses, onions, potatoes and cereals, but will also help exporters to stock for timely delivery. India is all set to be the world leader in marine exports and the current downfall is very temporary."[8]

A comeback of 'Make in India' during this pandemic, which was plateaued for some time, seems to be right opportunity to harness the export potential, given to the growing focus of Global Pharma companies on India as an investment , manufacturing, production and market destination for COVID related products.

With the eruption of pandemic from Wuhan, China has found itself under global scrutiny, giving rise for the investments shifts from China to other developing countries.

In addition to this, the face-offs between Washington and Beijing have continuously locked horns and these developments have propelled global firms' strategic plans to diversify manufacturing bases away from China, as a way of insuring against supply chain disruptions.

Japan's earmarking of $2.2 billion fund to encourage manufacturers has hastened Asian Economic powers to announce the shifting of production out of China

India's extending economy, powerful working class - abundant skilled and semi-skilled labour, adds to the country's ability to support bulk manufacturing, assembly, and processing. Moreover, India's eastern coast is strategically positioned to interface with Asia-Pacific markets, a bit of leeway to optimize supply chains and diminish transportation costs. India's cost advantages comes along with its democratic fabric, with an emphasis on transparency and rules-based international order.

Avenues of attracting FDIs during Pandemic

- Government must announce lucrative schemes attracting companies to manufacture in India's eastern coast and traditional manufacturing clusters.
- Government should establish effective discourse via business-friendly channels, conveying on the :
    - Availability of Land in SEZs at attractive deals.
    - State of the art infrastructure
    - Relaxations and friendly regulations specifically sector based.
    - Relaxed labour codes
    - Tax breaks and other incentives aiming at making India as a prime investment destination globally.
- With the existing SMEs, India aiming at targeting major investment deals in sectors where the economy has domestic supply chains, will set in motion in attracting subsequent mega manufacturing investments in other sectors.

India has an opportunity to project itself as a manufacturing hub with the large market size which provides a further impetus to the global companies eyeing on India for production of COVID related products. Enormous population is an advantage to the manufacturer and marketers for delving on strategies in utilizing the readymade best human resource and a huge market readily available.

India is poured over with international adulations for extending support and generosity during this pandemic. On the contrary China faces severe criticism from every corners of the word for not just concealing the outbreak of the virus, but also fabricated by spreading propaganda and misinformation about it.

Such being the situation , India must capitalize by revitalizing the concept 'Make In India', which in turn further accelerates the India Economy . A classic example of India's 'self-reliance' is the domestic production of Personal Protective Equipment andN-95 masks which mitigates India's dependence on China for importing COVID-19 equipments and accessories.

CONCLUSION

Under the flagship schemes of Modi, as reports suggest, Make in India scheme had met with failures, for various reasons as cited by people of acumen. Make in India is a long term ambitious project but it will definitely help in economic development of the country. Being nostalgic about the outcomes of economic reforms in 1991 and with the recent post pandemic developments, there arises a need for the Government to make India a prime destination for global investor around the world by flagging off alluring and attractive schemes and measures.

References :

1. https://www.bharatgodigital.com/make-in-india/essay-article/
2. https://www.outlookindia.com/website/story/opinion-make-in-india-pm-modis-flagship-programme-has-failed-to-deliver-and-numbers-show/347376
3. https://www.makeinindia.com/article/-/v/make-in-india-reason-vision-for-the-initiative
4. https://www.bharatgodigital.com/make-in-india/essay-article/
5. https://www.outlookindia.com/website/story/opinion-make-in-india-pm-modis-flagship-programme-has-failed-to-deliver-and-numbers-show/347376
6. https://www.thehindu.com/opinion/op-ed/why-make-in-india-has-failed/article30601269.ece
7. https://www.makeinindia.com/article/-/v/make-in-india-reason-vision-for-the-initiative
8. https://www.financialexpress.com/economy/covid-19-effect-time-for-made-in-india-tag-to-go-global/1968616/